

Towards a tax justice consensus

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In November 2011 Angel Gurria, the Secretary General of the OECD said something many would think quite extraordinary on the OECD blog. [The edited highlights are:](#)

In general, we see three main ways to tackle inequality: promoting employment for all; enhancing access and performance in education and training at every level by investing in people's skills; and reforming tax/benefit systems to help a fair distribution of income while fostering growth.

None of these is easy. [T]ake tax-benefit systems, for instance. These have become less effective in redistributing income in recent decades, due to cuts in benefits, tighter eligibility rules and a shift away from progressive income tax. Some countries will find room to improve fairness by closing tax loopholes, eliminating deductions and tax havens, and reassessing taxes on wealth and property. Tax rates on high earners have declined in recent years, so raising marginal tax rates on high incomes would help restore fairness and generate some extra revenue as well.

If you were looking for a proponent of progressive taxation the OECD is not the place you'd expect to start. And yet the mood for change exists, and the realisation that inequality is, in itself an economic as well as a social problem is now widespread. We have much to thank Richard Wilkinson and Kate Pickett for.

And yet, as I discussed in a paper I presented to the first meeting of the new left wing think tank The Centre for Labour and Social Studies — or CLASS for short — last weekend, [which is published this morning on their web site](#), creating progressive taxation is not going to be easy. The reason for that is not that we cannot create arguments for such taxation; I put forward eight in the paper and at the same time think it quite easy to dismiss the views of opponents. The problem is instead the fact that for over thirty years now there has only been one dominant view on taxation policy, and that is the view of the Washington Consensus.

On tax the Washington Consensus prescribed that:

1. *There will be no increases in personal taxation rates;*
2. *Corporate tax rates will be cut to stimulate growth;*
3. *Tax simplification, which removes allowances and reliefs, is welcome;*
4. *Indirect taxes, such as those on consumption like VAT, alcohol, tobacco and fuel taxes are the new basis for revenue raising;*
5. *Tariffs on trade are bad and should therefore be reduced as far as possible;*
6. *Tax competition is beneficial.*

The result is all too easy to see in the UK. Over thirty years top rates of income tax have fallen from 60% to 45%, corporation tax has fallen from 52% to 22%, there are demands for flat taxes, VAT has risen from 12.5% to 20%, tariffs are gone and tax haven usage is being actively promoted by the current government.

Delivering progressive taxation to tackle inequality is, therefore, much harder than simply reversing the cut in the 50p tax rate, useful as that would be in both revenue raising terms and in addressing inequality. What we need is a new tax consensus that is the foundation of a drive towards tackling inequality in tax, and more generally. It is the conditions for creating that new consensus — which I call a Tax Justice Consensus — that I focus on in my CLASS paper.

This is a big task, and yet the ground work for it has been laid. If it hadn't been the OECD would not, already, be supporting our claim that reducing inequality is an essential component in creating a viable economy and world for the 21st century to replace the neoliberal paradigm of the Washington Consensus.

My suggestion — and it is no more than that — is that the fundamental assumptions that this new consensus should embrace are:

1. *Progressive taxation playing a pivotal role in addressing inequality;*
2. *Barriers to the effective taxation and distribution of wealth being removed;*
3. *Taxation helping sustain family relationships whilst promoting gender equality;*
4. *Taxation policy facilitating the creation of sustainable employment in sustainable businesses that have access to the capital needed to deliver long term security;*
5. *Taxation policy holding government to account for the delivery of sustainable public services;*

6. *Taxation policy assisting the process of holding global capital to account both internationally and locally so that it contributes to the common good;*
7. *Capturing the information needed to enable the effective decision making required on the allocation of resources, which information is seen as a public good;*
8. *Taxation policy tackling the supply side incentives for corruption, most especially in tax havens / secrecy jurisdictions;*
9. *Tax policy being integrated and coordinated internationally to deliver a race to the top in delivering effective policies to tackle inequality, poverty and in promoting a genuine level playing field in market competition;*
10. *Tackling the free flow of financial capital that undermines the stability of world markets, nations and the well-being of the vast majority of people (the gainers being a tiny minority of rent seekers). On the other hand, the flow of productive capital that encourages the creation of real wealth, whether through work or the creation of human capital, sustainable ecologies and the promotion of learning, must be encouraged.*

As is clear, important as progressive taxation is in this agenda — and it is absolutely fundamental to it — it will not be a policy capable of being pursued in isolation.

Now is the time for the Left to think big on these issues. That is why I have welcomed CLASS into this debate. It is why I would encourage others to think not just about the micro policy changes that the Left would want to embrace now, but about the framework for our thinking as well. That's how the Right delivered the Washington Consensus. It is how we could deliver the Tax Justice Consensus. Our job is to do just that.

Note: This article is also appearing on [Left Foot Forward](#)